

# UNITED STATES POLICY TOWARD IRAN: AVOIDING MISCALCULATION

BY

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USAWC STRATEGY RESEARCH PROJECT

**UNITED STATES POLICY TOWARD IRAN: AVOIDING MISCALCULATION**

by

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## ABSTRACT

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At no other time in the last 27 years have Iran and the U.S. been poised to take such prolific opposing action. The current nuclear stalemate between the two is a two edged sword; offering a confrontation that's a lose-lose situation for both or perhaps, a window of opportunity to meaningful dialogue. United States policy options dealing with Iran must employ all elements of national power, but the main effort should focus on diplomacy, not military force. Given an estimated timeline of 5-10 years before Iran has enough material and know-how to build a bomb, the best approach to dealing with Iran is through diplomacy. The future stability of the Middle East depends upon both Tehran's and Washington's willingness to take advantage of this opportunity for meaningful reconciliation. United States policy in the Middle East must focus on containing Iran through bilateral diplomacy supported by China and Russia. Iran's pursuit of nuclear energy along with a capability to produce nuclear weapons has fueled a fire in the international community that is approaching a tipping point.



## U.S. POLICY TOWARD IRAN: AVOIDING MISCALCULATION

For the past 27 years U.S. and Iranian relations have been mired in confusion and ignorance by Americans and Iranians alike, a diplomatic stalemate. There has been very little constructive dialogue between Tehran and Washington since the hostage crisis of November 1979. When there has been contact between the two nations, it has come in the form of terrorism, military confrontation, or rhetoric aimed at painting each other as the root of all evil. This stalemate continues today, currently focused on unwavering U.S. opposition to Iran's insistence on developing a sophisticated nuclear infrastructure aimed at not only providing nuclear energy, but capable of enriching enough uranium to produce nuclear weapons. The United States fears this capability could lead to further nuclear proliferation, an increase in oil prices and a rise in support of terrorism.

Given this stalemate, the question of Iran's nuclear endeavors and the United States determination to limit Iranian nuclear ambitions provides an opportunity for confrontation or reconciliation of mutual national interests. U.S. options dealing with Iran must employ all elements of national power, but the main effort should focus on diplomacy, not military force. Given an estimated 5-10 years before Iran has enough material and know how to build a bomb<sup>1</sup>, the best near term approach for dealing with Iran is through diplomacy. The future stability of the Middle East depends upon both Tehran's and Washington's willingness to take advantage of this opportunity for meaningful reconciliation. U.S. policy in the Middle East must focus on containing Iran through bilateral diplomacy supported by China and Russia.

In a well-conceived U.S. policy and strategy for containing Iran, economic, information, military and diplomatic elements of national power should all play roles; but diplomacy must take center stage over the military option. This paper examines both military and diplomatic options and offers an in-depth strategy for containing Iran diplomatically. In order to establish a solid foundation for a strategy, the U.S. should consider how the current stalemate evolved. Consider the following: A brief history of U.S.–Iranian relations; Iran's nuclear ambitions and leadership; and U.S. national security policy. Then this study explores the feasibility of engaging Iran with military force. It then examines ways of engaging Iran by diplomatic means by involving other nations and applying elements of U.S. national power. Finally, it concludes with recommendations supporting a diplomatic approach to containing Iran.

### U.S.-Iranian relations: A history of ignorance

Contained in that history are all the elements of our current impasse. Most Iranians know that history—or some warped version of it—too well. Most Americans know it too little.<sup>2</sup>

To fully appreciate the possibility of establishing a dialogue, the U.S. must not downplay the significance of historical events influencing present U.S.-Iranian relations. The history of U.S.-Iranian relations can be traced back as early as the arrival of missionaries to Persia in 1834 followed almost fifty years later by the establishment of the first permanent U.S. diplomatic mission in Tehran in 1883.<sup>3</sup> However, significant interactions between the two countries did not occur until World War Two (WW II), when Russia and Great Britain occupied Iran to provide a vital link in the Allied supply line to transport U.S. lend-lease supplies to the Soviet Union.<sup>4</sup> Relations between the U.S. and Iran from WW II to the overthrow of the Shah in 1979 were heavily based on mutual self interests. The U.S. was mainly concerned with containing the Soviet Union, and Iran focused on survival of the Shah's regime and appeasement of Washington in pursuit of ambitions to be the premier power in the Middle East. Two key events during this 36-year period did more to shape the current relations between the two countries than any other events: First was the U.S.-backed coup to overthrow the popularly elected Prime Minister Mohammed Mossadeq in 1953.<sup>5</sup> Second was the Islamic revolution and hostage crisis of 1979.

The U.S. Embassy take-over and the 1953 Coup along with U.S. support to the Shah's subsequent reign, have burdened U.S.-Iranian relations more than anything else. Ken Pollack sums up these critical events:

A past not soon forgotten along with statements made by Ayatollah Khomeini inciting violence against Americans...memory of U.S. involvement in Iranian politics surfaced. In short, for students who took the embassy, for the Iranian revolutionary officials who supported them, and for much of Iran, the taking of the embassy was in response to the 1953 coup against Mosaddeq...It was an act of vengeance for the 1953 coup, designed to humiliate the U.S., to cause pain to the American people, and to assuage the angry psychological scars that the Iranian people bore from that event.<sup>6</sup>

These two events continue to burden relations. They exacerbate other contentious issues, such as U.S. support to Iraq during the Iran-Iraq War, Iran's support of international terrorism, Iran's efforts to acquire weapons of mass destruction (WMD), U.S. efforts to contain and isolate Iran, Iran's support of violent opposition to the Middle East peace process, and Iran's support of Iraqi insurgents.

There appears to be no compromise and little will for constructive dialogue between the two countries. So it appears the two are on a collision course focused on Iran's nuclear ambitions. Iran's pursuit of nuclear energy and a capability to produce nuclear weapons are impelling the U.S. and Iran to engage either diplomatically or militarily. The nuclear clock is running, and the time for establishing meaningful diplomatic talks is approaching a critical point for both countries. Unlike the last 27 years of virtually non-existent relations, the current nuclear situation offers an opportunity to establish a dialogue or endure the consequences of a military confrontation. In order to move U.S.-Iranian relations forward, it is important to know the past. But it is also essential to understand the role of Iran's nuclear ambitions in this ancient nation's future in a troubled region.

### Iran's Nuclear Ambition

The Iranian nuclear program started long before the revolution of 1979. The Shah initiated Iran's program in the late 1950s with U.S. help. In 1968 Iran signed the Nuclear Non-Proliferation Treaty, which was ratified in 1970. Iran then proposed to build up to 20 nuclear power plants with the assistance of the U.S. and European nations.<sup>7</sup> Research and training of Iranian nuclear technicians continued until 1978, when the Shah suspended the purchase of reactors due to internal criticism of the nuclear program and its costs. As a result of the Shah's overthrow in the 1979 revolution, the entire nuclear program was temporarily set back until 1984, when Iran opened a nuclear research center at Esfahan.

As Iran continued to conduct research in nuclear energy throughout the 1980 and 1990s, much of what they did went relatively unnoticed until September 11, 2001. "This situation changed following the attacks of 911, the U.S. scrutiny of Iraq's WMD program, and the U.S. labeling Iran a member of the club of the 'Axis of Evil.' Iran's nuclear program became the subject of more concern... can be partially traced back to August 14, 2002, when the National Council of Resistance of Iran identified a secret Iranian nuclear program."<sup>8</sup> The International Atomic Energy Agency (IAEA) then took notice and started to investigate these claims. The IAEA findings culminated in the July 31, 2006 U.N. Security Council (UNSC) Resolution 1696, which gave Iran 30 days to suspend all uranium enrichment and related activities or face the prospect of sanctions. Iran responded by declaring the resolution illegal and reiterating its right to pursue peaceful nuclear activities under the Nuclear Non-Proliferation Treaty (NPT). As a result of Iran's failure to comply with resolution 1696, the UNSC adopted resolution 1737, December 23, 2006, authorizing sanctions against Iran for refusing to suspend uranium enrichment. Resolution 1737 gave Iran 60 days to suspend its uranium enrichment activities or

face further measures designed to persuade Iran to comply with resolutions and requirements of the IAEA.<sup>9</sup>

The obvious question of why Iran needs nuclear energy is a fair query, given that Iran possesses 10% of the world's oil and 15% of its natural gas reserves.<sup>10</sup> Iran argues that, beyond its legal right, it needs nuclear energy for energy independence and national pride.<sup>11</sup> Iran has made the case that nuclear energy is needed in order not to deplete its main exportable income producing resource—oil. A recently released report from the National Academy of Sciences of the U.S.A. describes Iran's oil reserves in crisis.

The U.S. infers, therefore, that Iran's entire nuclear technology program must pertain to weapons development. However, some industry analysts project an Iran oil export decline. If such a decline is occurring, Iran's claim to need nuclear power could be genuine. Because Iran's government relies on monopoly proceeds from oil exports for most revenue, it could become politically vulnerable if exports decline... a more probable scenario is that, absent some change in Iranian policy...exports declining to zero by 2014-2015...Energy subsidies, hostility to foreign investment, and inefficiencies of its state planned economy underlie Iran's problem.<sup>12</sup>

As a matter of national pride, Iranians claim their right to pursue nuclear energy. Both conservatives and reformists within the government have seized upon the nuclear program as a source of nationalism, insisting on Iran's inherent right to nuclear energy. This political dynamic has only complicated U.S. efforts to halt Iran's efforts to enrich uranium.<sup>13</sup> Nationalism and pride aside, does Iran really need a complete nuclear fuel cycle to exploit nuclear energy?

Most observers do not question Iran's pursuit of nuclear energy, but remain deeply concerned about their search of a nuclear fuel cycle which could then be used to develop nuclear weapons. Joseph Cirincione, the director for nonproliferation at the Carnegie Endowment for International Peace, points out that Iran refuses to accept guaranteed nuclear fuel from Russia citing its need for energy independence. But Iran does not have sufficient uranium ore reserves to secure energy independence for any significant amount of energy generation. Cirincione goes on to note that a complete domestic fuel cycle is not a requisite for having a strong and efficient civilian nuclear program. Only eight of 87 countries currently enrich uranium on an industrial scale, and most countries buy their fuel from fuel-producing countries. It does not make economic sense for any nation to invest the billions of dollars needed for indigenous fuel fabrication unless it has 20 or more nuclear reactors. Iran has yet to begin operation of its first reactor.<sup>14</sup> Iran's quest for nuclear energy is legal and guaranteed under the provisions of the NPT.<sup>15</sup> But Iran's true nuclear intentions are known only to its leadership.

## Iranian Leadership

Understanding Iranian politics is essential to fathoming the leadership's motives and behaviors toward the United States. Political factions in Iran can be generally divided amongst conservatives and reformist. Conservatives are considered the hardcore fundamental revolutionists, while reformists seek a more pragmatic approach to dealing with both foreign and domestic issues. Current President of Iran, conservative Mahmoud Ahmadinejad, is responsible for the tough rhetoric coming from Iran, but he is far removed from making the final decisions on Iran's future. Leading Middle Eastern expert Clifford Kupchan describes Iranian leadership in terms of power centers, including the presidency, the Majlis, the Guardian Council, the Expediency Council, the Revolutionary Guards, the judiciary, and others. He notes that the Supreme Leader Ayatollah Khamenei is a hard-liner with the final word on all matters, to include nuclear and foreign policy. Furthermore, he describes Khamenei as the balancer among different factions and institutions, to include the presidency. Although Khamenei has the last word, he depends upon a wide range of advisors.<sup>16</sup>

Iran's leadership is comprised of both conservatives and reformist at the highest levels. Ahmadinejad ascended to the presidency by defeating former president Muhammad Reza Khatami, signaling the end of reformist movements. The popular election of the conservative president tamped down calls for internal change and thus allowed the president to focus on international pressure opposing Iran's nuclear program. These international pressures have united the country and thus provided Ahmadinejad with increased legitimacy and fewer dissenters to his flamboyant leadership.<sup>17</sup> Ahmadinejad's domestic appeal seems to be declining and his credibility is under attack from within the power bases of Iranian leadership. While Ahmadinejad won the election, one of his presidential opponents, former president Rafsanjani, now head of the Expediency Council, has more influence over national policy.<sup>18</sup> Rafsanjani is by far the most experienced politician in Iran, very much a pragmatist. Since his defeat in 2005 by Ahmadinejad, Rafsanjani has moved closer to the reformist movement and is described by the Asia Times as "the ultimate centrist...a supporter of the supreme leader...he dearly wants to restore Iran's national might and regional power and reconcile the country with the West."<sup>19</sup> "Khatami, head of the largest reformist party, the Islamic Participation Front, has called for 'suspension of uranium activities and negotiations with the aim of fostering trust and having international oversight.' His point of view may not prevail, but its persistent expression has had a restraining impact on the regime."<sup>20</sup>

Recent U.N. sanctions have created further internal discord within Iranian power circles. As reported by the Washington Times, "Even before the sanctions were approved, President

Ahmadinejad had been weakened by his inability to fulfill campaign promises to stem rising inflation and by doubts over... the Holocaust and threatening Israel.<sup>21</sup> As a result of Russian and Chinese support for a resolution imposing U.N. sanctions, the mood amongst Iranian leaders is one of deep concern and uncertainty about the nuclear program. There are even reports that Supreme Leader Khamenei may change several key positions to include the head of their National Security Council, Foreign Minister and Ambassador to the U.N.<sup>22</sup> The potential of disunity within Iranian leadership may give the United States an opportunity to engage Iran diplomatically. However, current U.S. National Security Strategy continues to cite the option of military force dealing with Iran.

### United States Policy

U.S. rhetoric and its movement of additional naval assets to the Persian Gulf in support of stated objectives contained in U.S. National Security Strategy increase the likelihood of military confrontation while minimizing prospects for diplomacy. Iran's acquisition of nuclear weapons affects the future stability of the Middle East and invites further confrontation with the United States. A report from the Nonproliferation Policy Education Center cites three threats that are likely to increase following Iran's acquisition of nuclear weapons: more nuclear proliferation, dramatically higher oil prices, and increased terrorism seeking to diminish U.S. influence.<sup>23</sup> These three threats underlie the urgency for engaging Iran diplomatically. A military confrontation would only aggravate the situation and likely increase the very threats the U.S. wishes to eliminate.

The U.S. policy toward Iran has been consistent, currently promulgated in the March 2006 U.S. National Security Strategy (NSS). The strategy identifies as an essential task: "Prevent our enemies from threatening us, our allies, and our friends with weapons of mass destruction." It then cites Iran as a violator of its NPT safeguards and notes its refusals to provide specific guarantees that its nuclear program is solely for peaceful purposes.<sup>24</sup> The U.S. sees the proliferation of nuclear weapons as its gravest threat, particularly Iran:

We may face no greater challenge from a single country than from Iran... The Iranian regime's true intentions are clearly revealed by the regime's refusal to negotiate in good faith...come into compliance with its international obligations...and the aggressive statements of its President ...The nuclear issue and our other concerns can ultimately be resolved only if the Iranian regime makes the strategic decision to change these policies...we will continue to take all necessary measures to protect our national and economic security....

However, Cirincione claims that "There is no evidence that Iran currently posses any nuclear devices or even enough fissile material...But for the past two decades, Iran has been engaged

in a secret multifaceted program...This has created widespread concern that Iranian leaders are committed to acquiring the means to produce nuclear weapons....”<sup>25</sup> So the U.S. National Security Strategy assumes the worst of Iranian intentions, mainly proliferation. Thus there is a possibility of the U.S. using military force to deny Iran nuclear weapons.

#### What not to do: the Military Option

Given an estimated 5-10 years before Iran has enough material and know-how to build a bomb, the best near-term approach for dealing with Iran is through intense bilateral diplomatic efforts supported by the information, military, and economic elements of U.S. national power. Employing the military option to stop Iranian nuclear ambitions is fraught with risk and would be executed with more unknowns than knowns. Nonetheless, the U.S. has clearly not ruled out the military option for dealing with Iran.

Military action against Iran would likely consist primarily of a campaign of intense air operations and unconventional ground operations focused on the elimination or interdiction of Iran's capability to enrich uranium.<sup>26</sup> In such an attack, many targets would be attacked to assure destruction of nuclear infrastructure. The engagements of certain targets would include collateral damage to civilian structures and loss of civilian lives. A successful campaign would set Iran's nuclear ambitions back by years, but it would be unlikely to eliminate Iran's entire capability to acquire nuclear weapons.<sup>27</sup> Such an attack could further unite the country against an aggressor, strengthening the current regimes grip on power and actually stiffen Iranian resistance to any nuclear cooperation.

In September 2004 the Atlantic Monthly sponsored a war game exercising the U.S. military option in dealing with Iran.<sup>28</sup> Under the direction of retired Air Force Colonel Sam Gardiner (former Pentagon and National War College war gamer), a war game was conducted involving participants who had served in the Pentagon, at intelligence agencies, or in other parts of the National Security establishment-- many having dealt directly with Iran. James Fallows describes one crucial action, “what might seem America’s ace in the hole—the ability to destroy Iran’s nuclear installations in a pre-emptive air strike—was a fantasy.”<sup>29</sup> He goes on to demonstrate the three main problems with a military option: 1) A U.S. air strike is too late. Iran’s leaders learned from the Israeli attack on Osirak, Iraq, not to concentrate your nuclear projects. 2) The U.S. is too vulnerable. Iran could use its influence among the Iraqi Shiites to attack U.S. soldiers and influence the world’s oil markets to shock Western economies with huge price increases. 3) The plan would backfire: At best, it would slow Iranian nuclear projects by a few years, but likely redouble Iran’s determination to get a bomb—while increasing its bitterness

toward the United States.<sup>30</sup> As with the decision to invade Iraq, intelligence is even more critical if the U.S. is to seriously consider military action against Iran. A report released by the U.S. House of Representatives Permanent Select Committee on Intelligence on August 18, 2006 highlights serious intelligence gaps regarding Iran.

...There is a great deal about Iran that we do not know...Suffice it to say, however, that the U.S. lacks critical information needed for analysts to make many of their judgments with confidence about Iran and there are many significant information gaps. A special concern is major gaps in our knowledge of Iranian nuclear, biological, and chemical programs....<sup>31</sup>

Despite considerable combat power committed to Iraq, serious intelligence gaps concerning Iran, and the futility of solving the nuclear stalemate through military force, the U.S. administration appears fixated on the military option. In a January 10, 2007 address to the nation President Bush announced a new Iraq strategy, but mentioned Iran six different times. He announced the deployment of an additional carrier strike group and Patriot air defense systems to the region in an effort to prevent Iran from gaining nuclear weapons and dominating the region.<sup>32</sup> Just as important is what was not said about recommendations of the bi-partisan Iraqi Study Group: The President chose not to engage Iran in any regional talks aimed at ending the violence in Iraq--possibly losing an opportunity for diplomacy. Following this speech, President Bush dispatched the new Secretary of Defense Robert M. Gates to the Middle East to reassure partners in the region of America's commitment to their interests. During Gates' visit to the region, he made several comments reference the Iranian-U.S. situation. He admitted, "That the U.S. has limited options to compel Iran's leaders to halt their nuclear program or to play a more supportive role in Iraq and downplayed the possibility of American military action against Iran, saying it was not time for diplomacy either."<sup>33</sup> If military action is not viable, then it is time to give diplomacy a chance at a time while Iran is facing Russian and Chinese U.N. supported sanctions, and dealing with domestic insecurities concerning the nation's foreign policy.

#### What to do: the Diplomatic option

A diplomatic approach is the best option for dealing with Iran, given the other alternatives. A nuclear Iran with a bomb or bomb-making capability is unacceptable to the United States and many other nations. On the other hand, Iran's right to produce nuclear energy under international legalities afforded by the NPT is a matter of national pride and principle. Given the volatility of U.S.-Iran relations, constructive dialogue between the two will not come easily. If there is nothing the Iranians want from the United States, perhaps there is something they want

from their trading partners or U.S. allies. If the United States focuses its efforts on their friends and allies, Iran may reconsider its pursuit of nuclear weapons and agree to multi-lateral and bilateral diplomacy between Iran and its friends, and the U.S. and its allies. U.S. strategic ways and means should focus on Iran's interests and vulnerabilities. The recent UNSC decision to impose sanctions against Iran is a start, but more diplomatic farming is needed in order to grow meaningful fruit. The United States must employ a no-holds-barred effort, using elements of national power to bring the Iranians to the bargaining table.

The window of opportunity for the U.S. and Iran to establish meaningful diplomatic relations, afforded by the current nuclear impasse, is rapidly closing. As the U.S. continues to struggle in Iraq and with President Bush's domestic approval ratings at an all-time low, Iranians perceive U.S. power in the Middle East as considerably weakened.<sup>34</sup> Given the domestic and international environment the Bush administration faces, the time to seriously pursue relations with Iran is here and now!

To date, the only serious attempt to resolve the nuclear issues with Iran have involved mainly the European Union, represented by the United Kingdom, France, and Germany (often referred to as the EU-3) with the U.S. backing. The EU-3 has had some success in negotiating confidence-building measures with Iran; these efforts culminated in the Paris Agreement signed November 14, 2004. This agreement supposedly delayed Iran's enrichment of uranium for two years, but it fell apart nine months later when the EU-3 proposed Iran permanently suspend any enrichment activity. Since then, serious negotiations have not resumed. The EU-3 and the U.S. have pursued actions against Iran through the UNSC, leading to resolution 1737, December 23, 2006, which authorized sanctions against Iran for refusing to suspend uranium enrichment. Although the resolution sent a tough message to Tehran, it has not slowed Iran's pursuit of what it sees as its nuclear rights. To change the behavior of Tehran in its probable quest for nuclear weapons, the U.S. must develop a strategy to resolve the nuclear stalemate by diplomatic means through bilateral negotiations with Iran. This strategy involves a three step approach—setting the conditions for meaningful talks, negotiating an acceptable resolution, and preparing to deal with a defiant Iran. Elements of U.S. national power must be applied at each step.

### Setting the Conditions

To entice the Iranians to the bargaining table the U.S. must make an offer that Tehran shouldn't refuse. This offer has to be bold, innovative and progressively focused, not backward looking. With the backing of Russia and China the offer must be made in the context of Iran ceasing enrichment of uranium for one year. The U.S. must offer to do the following: publicly

acknowledge Iran's right under the NPT to develop a nuclear fuel cycle; lift the economic embargo; publicly give Iran security assurances and end the rhetoric promoting regime change in Iran. By taking these drastic steps, the U.S. would put the Iranian leadership in a precarious position. If the regime turns down the offer then it only strengthens the current U.S. position of getting tough with Iran while generating international support of the U.S. initiative. If the regime accepts the offer, then it would encourage the international community to include Iran's biggest economic partners Russia and China—to support a peaceful resolution. This positive development would then open the way for dialogue on other issues such as human rights, terrorism and the Arab-Israeli peace process.

### Chinese and Russian Support

China and Russia's support of a U.S. offer of concessions will surely influence Iran's regime. China and Russia are the only powers that can effectively threaten Iran with nuclear isolation if it continues to build sensitive nuclear fuel cycle facilities. China's demand for energy has led to strong ties with Iran and rendered any serious actions against Iran in the Security Council difficult. China must find a way to balance its interest with Iran both domestically and internationally. Chinese ambassador Lio G. Tan noted that, "the abundant natural resources, big market, geographical location, and educated workforce are among relative advantages of Iran, stressing the expansion of mutual cooperation."<sup>35</sup> Examples of Iran-Sino economic interests include a recent agreement for China to develop Iran's Northern Pars natural-gas field, a contract worth \$100 billion<sup>36</sup>, in return for the export of 284,000 barrels of crude oil daily to China.<sup>37</sup> China's effort to balance its foreign policy with economic prosperity is further complicated by China's membership in the NPT and basic interest in supporting non proliferation. China ultimately demonstrated its support of the NPT by supporting recent UN sanctions against Iran, but would likely welcome a U.S. offer to negotiate with Tehran rather than subject Iran to further U.N. imposed sanctions. In the end, China's decision to support the U.S. may be based on economic realities: In 2004, trade between China and Iran hit a record \$7 billion, a 42 percent increase from bilateral trade in 2003. Non-oil trade was at a record high of \$1 billion for 2004 and doubled in 2005; by 2008 it's expected to reach \$10 billion. This bilateral trade flow, however, is paltry compared to the \$202 billion in U.S.-Chinese trade in 2005.<sup>38</sup> Like China, Russia has also increased ties with Iran mostly through the sales of arms and development of a nuclear program.

In 2005, Russia was Iran's seventh largest trading partner, but Russia is increasingly becoming dependent on its economic relations with the West.<sup>39</sup> As the only major power that

engages in nuclear cooperation with Iran, Russia could play a pivotal role in creating a framework that restrains Iran's nuclear activities. Its agreement with Iran to take spent fuel from the Bushehr reactor back to Russia as well as its proposal to enrich uranium in Russia for Iranian reactors indicate Moscow's readiness to play a constructive role.<sup>40</sup> Russia is also a member of the NPT and must balance its interests with Iran, the U.S., and Europe.

In the spring of 2005, The Council on Foreign Relations established an Independent Task Force to assess the U.S.-Russian relationship. The Task Force explored the strengths and weaknesses of relations and determined that of the three most important post-September 11 issues--counterterrorism, energy security, and nonproliferation—cooperation in the area of nonproliferation remained strongest. With contracts in place for the sale of military hardware and nuclear reactors to Iran, Russia has been challenged to balance relations with Tehran, Europe, and the U.S. Considering the prospects of a nuclear armed Iran, the Task Force surmised that Russia's support of nonproliferation activities with the West has grown stronger. Furthermore, Russia's willingness to supply Iran with nuclear reactors includes a provision for nuclear fuel, thereby precluding Iran's need to possess a nuclear fuel cycle.<sup>41</sup> Russia's cooperation with Iran on the nuclear issue has not interfered with its support of U.N. sanctions against Iran. Like China, Russia would likely support U.S. efforts to end the nuclear stalemate.

#### Publicly Acknowledge Iran's Rights Under the NPT

Technically and legally under the NPT, Iran is allowed to produce a nuclear fuel cycle in accordance with the NPT's Article IV. "Nothing in the Treaty shall be interpreted as affecting the inalienable right of all the Parties to the Treaty to develop research, production and use of nuclear energy for peaceful purposes..."<sup>42</sup> Iran's rights under the NPT have become an important issue to Iranians:

Pride and prestige influence Iranians in wanting fully to exercise their right to a nuclear program. Creating an indigenous nuclear industry could be perceived as a crowning achievement in a long history of Persian scientific accomplishments. The Iranian government has also made the nuclear program a major nationalist issue. It is inconceivable that an Iranian politician could run for office on a platform to negotiate away completely Iran's ability to exercise its right to have an indigenous nuclear program.<sup>43</sup>

A recent poll conducted by World Public Opinion.org further confirms Iranian sentiment regarding its right to have a capacity to enrich uranium: "84% of Iranians say it is very important to have a capacity to enrich uranium, despite the fact that the U.N. Security Council has called for Iran to cease uranium enrichment."<sup>44</sup> Acknowledging Iran's rights under the NPT

demonstrates U.S. even-handedness dealing with Tehran. An even bolder step would improve Iran's economic prospects for the future.

#### Lift the Economic Embargo

Since the 1979 Islamic revolution in Iran, the U.S. has sought to contain Iran's aggressive behavior, including its military buildup, development of weapons of mass destruction, and its support for international terrorism and groups opposed to the Arab-Israeli peace process. On May 6 1995 President Clinton signed Executive Order No. 12959 imposing virtually a total U.S. economic embargo on Iran. In doing so the President stated: "Responding to the country's sponsorship of international terrorism and its active pursuit of weapons of mass destruction, the new sanctions prohibit trade with Iran, as well as trade financing, loans and related financial service...New investment in Iran is also prohibited."<sup>45</sup> There is little doubt that economic sanctions have in the past effectively hampered Iran's economic progress, but sanctions have done little to change its behavior. Lifting or easing economic sanctions would further show U.S. willingness to work with Iran. Prospects for improving Iran's economy must, however, be accompanied by security assurances for the populace and leadership.

#### Provide Security Assurances and End Rhetoric Aimed at Removing Regime

Given its location and natural resources, Iran has deeply rooted security concerns. Referring to U.S. occupation of Iraq, one observer noted that, besides Canada and Mexico, Iran is the only other country with the U.S. on its borders. Iran's President has made the point that Tehran cannot rely on others to guarantee Iran's security, a perception he reinforced in a speech to the U.N. general Assembly in September 2005. Ahmadinejad recalled Iraq's employment of WMDs, specifically chemical weapons, against Iranians while the world looked on and did nothing.<sup>46</sup> Leading Middle East expert, Ray Takeyh, Senior Fellow for Middle Eastern Studies Council on Foreign Affairs, points out that the 2003 U.S.-led Iraqi invasion reinforced this perception. The conservative Iranian Kaylmn newspaper stressed a similar view: "All we have to do is look at Iraq to see what happens to a country that cannot defend itself."<sup>47</sup>

Before any type of talks can begin, the U.S. must end all rhetoric calling for the removal of the current Iranian regime. President Bush began "targeting" Iran in his 2002 State of the Union address when he designated Iran as part of an axis of evil: "Our second goal is to prevent regimes that sponsor terror from threatening America or our friends and allies with weapons of mass destruction...Iran aggressively pursues these weapons and exports terror, while an unelected few repress the Iranian people's hope for freedom... States like these, and their terrorist allies, constitute an axis of evil, arming to threaten the peace of the world. By seeking

weapons of mass destruction, these regimes pose a grave and growing danger...And all nations should know: America will do what is necessary to ensure our nation's security."<sup>48</sup> Since then, the rhetoric has continued. But it has only served to increase Iranian leadership's hard line toward negotiating with the West.

### Negotiating an Acceptable Deal

Assuming Iran accepts the U.S. offer, negotiations should proceed along an agreed upon timetable with benchmarks to measure progress. Negotiations should focus on specific issues: Iran's enrichment of uranium; long-term security assurances; and economic incentives. By concentrating on these points, the U.S. has a greater opportunity to convince the Iranians to develop their nuclear technology without pursuing nuclear weapons.

#### Enrichment of Uranium

Iran's capability to enrich uranium, which then provides the means to build nuclear weapons, is at the heart of the current nuclear stalemate. Ceasing its efforts to enrich uranium appears to be the negotiating line that Tehran is not willing to cross. But there are options: no enrichment or a delayed limited enrichment. The first option for the U.S. to pursue in negotiations is the insistence on the "zero enrichment" option which builds on the Russian proposal to guarantee Iran's uranium supply from offshore.<sup>49</sup> An offer of U.S. security assurances is worth exploring in light of Iran's warm relations with Russia. But if the United States perceives that Tehran will pursue enrichment, the U.S. should propose that Tehran operate only a pilot enrichment facility, with the prospect of expanded enrichment later. The second option would grant Iran a "delayed limited enrichment" program, with these stipulations: First, reassure the international community regarding Iran's intentions; second, assure Iran that, once confidence has been restored through satisfaction of clear benchmarks and conforming to a predictable timetable, it can gradually engage in domestic enrichment, albeit initially under strict limitations and always with robust international verification. This "delayed limited enrichment" option is designed to provide the international community with sufficient confidence that Iran's program will not be diverted for building military weapons and to provide Tehran with the assurance that its rights will not be infringed. This option would be implemented in three phases: an IAEA assessment phase with enrichment suspension; a limited and monitored enrichment phase; and a long-term phase.<sup>50</sup>

## Long Term Security Assurances

Security assurances may go a long way toward tempering Iran's nuclear ambitions. Deterrence, both regional and extra-regional, seems to be a greater consideration than Iran's national prestige. Iran is located in a volatile region, surrounded by hostile neighbors. Russia, Israel, Pakistan, and India all have nuclear weapons already, so regional deterrence issues loom large for Tehran.<sup>51</sup> Not only should the U.S. agree not to attack Iran, it must also provide support for a greater regional security framework. Michael Kraig and Riad Kahwaji, scholars in Middle East security and non proliferation, offer a cooperative security approach that the U.S. could promulgate.<sup>52</sup> It consists of a regional multilateral security framework based on sovereignty; it is designed to achieve a balance of power and interests that ensures mutual trust. In other words, the U.S. security assurances must include agreement among all the regional players to establish military and economic ties that demand reliance on each other for their own national security. This security framework should include Iran's concerns about Israeli threats of unilateral action and protection from Israel's nuclear arsenal. Ray Takeyh notes that it may be time to ask Israel to expose its nuclear infrastructure, by placing all or some of its plutonium under IAEA monitoring, thereby demonstrating its transparency.<sup>53</sup>

## Economic Incentives

The removal of U.S.-imposed economic sanctions alone is not likely to provide sufficient economic incentive for Iran to negotiate. As noted in a policy review paper from the Atlantic Council of the U.S., "Whatever effect the sanctions initially had, their value is declining largely because they were imposed unilaterally and because Iran has found alternative investors and suppliers... holding sanctions removal in reserve as a bargaining chip is questionable."<sup>54</sup> On the other hand, removal of sanctions opens the way for the private sector to engage Iran. The same policy paper acknowledges that, "the most promising area of potential U.S. engagement with Iran appears to be in the commercial sector... Trade and investment promote access, change personal attitudes, and may encourage Iranians to adopt opinions that can provide a foundation for improved political relations."<sup>55</sup> In addition to lifting economic sanctions, the U.S. must offer the possibility of waiving the Iran-Libya Sanctions Act (ILSA).

The ILSA attempts to punish foreign companies that are investing in Iran by imposing the following sanctions against these companies: denial to the offending company of Export-Import Bank financing for exports; denial of licenses for U.S. export of military or militarily useful technology to the foreign company; denial of U.S. bank loans exceeding \$10 million annually to the company; a ban on the company's serving as a primary dealer in U.S. government bonds; a

ban on U.S. government procurement from the foreign company; and a restriction on U.S. imports from the company.<sup>56</sup> Waiving the ILSA in conjunction with lifting other economic sanctions contained in previous executive orders would effectively allow U.S. investment in Iranian energy sectors. These investments would then effectively restore an aged petroleum infrastructure and go along way toward reviving the Iranian economy.

### Preparing for a Defiant Iran

The third prong of a strategy for dealing with Iran, if the prospects of negotiations run into a dead end, is to continue with current efforts to further isolate and contain Iran, essentially forcing it to capitulate under pressure of U.N. imposed sanctions. If its offer of major concessions is unsuccessful, the U.S. administration would be in a better position both domestically and internationally to get even tougher with Iran. With regard to offering Iran a bargain they shouldn't refuse, Scholars from the Iran Democracy Project at the Hoover Institute at Stanford University claim, "Tehran would pay a significant price domestically. The vast majority of Iranian people yearn for more engagement with the West and the U.S. in particular. Iran's economy urgently needs... opportunities for the non-energy sectors... a government that openly rejects such inflows will face a popular backlash."<sup>57</sup>

Short of a military option, the U.S. would be positioned, with one previously approved UNSC sanction resolution, to call for even more powerful sanctions. Ray Takeyh believes, "The most powerful sanction would be the oil embargo lever... The Iranian economy appears ill prepared to handle a blow dealt to this sector... a more targeted and smarter type of oil sanction would focus on Iranian gasoline imports. Because Iran is lacking in gasoline refining capacity, it imports 40% of its gasoline."<sup>58</sup> Other credible sanctions suggested by Jahangir Amuzegar, writer for Middle East Policy, include travel bans, limits on diplomatic staffs, exclusion of from international athletics, forbiddance of international flights and other means of transportation and communications into or out of Iran, restricting worldwide arms sales and dual-use high-tech equipment, barring loans from private banks or international agencies, freeing Iranian assets in foreign institutions, and expelling Iran from all international organizations.<sup>59</sup>

### Recommendations

The following recommendations are made in the framework of applying the diplomatic, information, military and economic elements of U.S. national power.

1. The U.S. should offer Iran the opportunity to conduct bilateral talks focused on their desire to enrich uranium. This offer must be contingent on Iran's immediate suspension of uranium enrichment activities. The U.S. must offer to publicly acknowledge Iran's right under

the NPT to develop a nuclear fuel cycle; must lift the economic embargo imposed in 1995; must publicly give Iran security assurances; and must end the rhetoric aimed at regime change.

2. The U.S. should negotiate one of two options—no indigenous enrichment capability, uranium would be provided from a third party; or an enrichment capability for research purposes only.

3. The U.S. should continue to prepare for an Iran that rejects negotiations and insists on uninhibited uranium enrichment. This option entails the use of a military option or coercive diplomacy.

### Conclusion

The current relations between the U.S. and Iran are a continuation of 27 years of misunderstandings and miscalculations occasionally interrupted by war, acts of terrorism, and stinging criticisms of each other. The latest confrontation, if not dealt with carefully, has the potential to ignite a round of hostilities that could potentially throw the Middle East into further chaos, disrupt the world's economies, and increase anti-American fervor and fuel radical Islamist worldwide. Iran's pursuit of nuclear energy, along with a capability to produce nuclear weapons, has aroused concerns in the international community that will reach a tipping point within the next five years. At no other time in the last 27 years have Iran and the U.S. been at such an excruciating and volatile loggerhead. This nuclear stalemate is a two edged sword: it portends a military confrontation that is a lose-lose situation for both, or it affords a window of opportunity to open a meaningful diplomatic dialogue between the two adversaries. With U.N. sanctions in place against Iran and a follow up measure under discussion, the U.S. has more leverage with Tehran now than in the last three decades.

The future stability of the Middle East depends upon both Tehran's and Washington's willingness to take advantage of this opportunity. The stakes are too high in the region and world for the U.S. not to act in a bold decisive manner. In a manner that demonstrates international leadership, humility, respect for the rule of law, and a vision of a greater good for future generations, U.S. policy in the Middle East must focus on containing Iran through bilateral diplomacy supported by China and Russia. There is a global interest in an Iran fully vested in the global economy; in an Iran that poses no threat to its neighbors; in an Iran that is neither capable nor willing to proliferate WMD, and in an Iran that cooperates with Western democracies. John F. Kennedy once said, "Let us never negotiate out of fear. But let us never fear to negotiate." The time to negotiate with Iran is now. If we fail to take advantage of this

chance to negotiate, the worst that can happen is staying the present course: It is sure to lead to a nuclear armed-Iran even more hostile and belligerent to the U.S.

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